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SUBJECT: MEETING WITH MFA VICE MINISTER ZHANG YESUI

¶11. (U) Summary. On October 9, Deputy USTR Karan Bhatia and Department of Commerce Acting Under Secretary Christopher Padilla told MFA Vice Minister Zhang Yesui that the JCCT preparatory meeting with VM Ma were constructive and much work remains for the JCCT and SED. China should send an unequivocal signal that it remains open to foreign investment and trade and evince tangible progress on product safety. Zhang said that China is very concerned about Congressional bills directed against China. End Summary.

Much JCCT and SED Work Lies Ahead

¶12. (U) Bhatia and Padilla noted that that morning's JCCT discussions with Ministry of Commerce Vice Minister Ma XiuHong had been good (septel). In order to counteract pressure from the United States Congress that could restrict trade, the United States and Chinese sides have much work before them to demonstrate progress in areas such as market access and transparency at both the JCCT and SED. In discussions with Vice Minister Ma, the United States side made three key points: (1) a clear, unequivocal statement is needed from the Chinese side affirming China's commitment to remain open to foreign investment and trade; (2) both sides must evince concrete action in the area of product safety; and (3) the JCCT is focused for short-term, tangible results, while the SED is designed for more long-term, macroeconomic issues. Bhatia and Padilla also appealed for assistance from MFA to enlist China's support to combat the illegal harvesting of trees from Asia.

¶13. (U) Not being briefed on the JCCT discussions, Zhang would not comment on details. He stated, however, that China's policy to attract foreign investment had not changed. China has taken tough measures to assure product safety, and 99 percent of Chinese products meet standards. An MOU on product safety could be signed during SED III, he said. He agreed that the JCCT and SED should not overlap. He noted that China has consistently opposed illegal logging. He looked forward to the visit of Assistant Secretary McMurray and hoped that a consensus could be

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reached soon so that both sides could sign an agreement on illegal logging at SED III.

China Concerned by Congressional Bills

¶4. (U) Noting that bilaeral economic and trade ties are strengthening year by year, with United exports expanding more than 16.4 percent between January and August and China's remaining The United States' fastest growing export market for the fifth straight year, Vice Minister Zhang said that some friction in such a large relationship is unavoidable. China believes in dialog, opposes politicizing such issues, and does not support protectionism. In this regard, China is "most concerned" by the 40 plus China specific bills before Congress, specifically the Baucus/Grassley Currency Bill and the Dole/Shelby Bill. Since such bills, if enacted, would damage bilateral relations, China hopes that the United States Government will work hard to dissuade Congress.

¶5. (U) Zhang also appealed to the USDOC to relax export controls. China recognized USDOC's recent efforts in this regard, but these efforts do not suffice. As for visas, Zhang asked that application procedures are still too complicated, although he appreciated the simplification of procedures for ministerial-level visitors following SED II. China believes that the 20 percent refusal rate is too high. A higher visa issuance rate would boost trade and investment.

¶6. (U) Bhatia said that the administration had expressed its opposition to the Baucus/Grassley and Dole/Shelby Bills in a joint letter from Secretaries Gutierrez and Paulson and Ambassador Schwab to Congress. These senior leaders called for more engagement, not legislation. Bhatia noted, however, such Congressional pressures could increase as the elections approach and encouraged China to produce tangible

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results in resolving trade frictions, deliver a clear message about the country's future economic direction, and engage in multilateral institutions like DOHA. As for visas, Padilla noted that visa issuance had grown 20 percent in the past year. He also urged China to continue working with the U.S. on the Tourism MOU, especially the repatriation issue, with the hope of it being signed in time for the JCCT.

¶7. (U) China opposes illegal immigration and will accept any documented illegal Chinese immigrant who does not have a criminal record. There is no political barrier to signing a repatriation agreement. In this regard, he noted that the United Kingdom and China, following two years of discussions, had recently concluded a repatriation agreement.

¶8. (U) Meeting Participants

Chinese side:

Mr. Zhang Yesui, Vice Minister, MFA
Mr. Xie Feng, Deputy Director General, North American Oceania Affairs, MFA
Mr. An Gang, Director, North American Oceania Affairs, MFA
Mr. Jing Quan, Deputy Director, North American Oceania Affairs, MFA

United States side:

Mr. Karan Bhatia, Deputy USTR
Mr. Christopher Padilla, DOC Acting Under Secretary
Mr. Daniel Piccata, Charge d'Affaires
Mr. Tim Stratford Assiatant USTR
Mr. Chris Adams, USTR Senior Trade Representative
Mr. Eric Madison, Deputy Econ Chief (note taker)
Ms. Caroline Katzin, Special Counsel FCS

Ms. Lisa Rigoli, Trade Facilitation Office
Ms. Rebecca Karnak, DOC
Ms. Sarah Ellerman, FCS

¶9. (U) The Bhatia/Padilla delegation has cleared this cable.

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